

COMMENT ON GPOC INVESTIGATION INTO METRO FARES – 2003

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1. General Overview

Being the largest operator of public transport in Tasmania, Metro is an important part of the Tasmanian Bus and Coach Industry. As part of this industry, all the issues being considered as part of this investigation should also be assessed in terms of the impact on the total industry. This is relevant in terms of requirements regarding the Metro business model, and the integration of Metro activities with other operations, other fare regimes and overall integrated service deliverables. Therefore much of the content in the Metro preliminary submission has commonality with, and impact upon, other Tasmanian regular public transport operations.

This submission is made on behalf of Tasmanian Tours and Travel (Fleet) Pty. Ltd. ABN 39 080 290 311 trading as “TassieLink Regional Coach Service”. The Accreditation Number of Tasmanian Tours and Travel (Fleet) Pty. Ltd. is 1188852. Tasmanian Tours and Travel (Fleet) Pty. Ltd. was the first passenger transport operator accredited and to have systems audited under the Tasmanian accreditation system.

Background to the Company

With a family background in bus and coach operation dating back to 1947, Tasmanian involvement for Managing Director John Usher began in 1986 with the purchase of the Devonport Bus Service from the Morse Family. Further purchases of “wilderness” services followed, including those from Devonport and Launceston to Cradle Mountain (Cradle Mountain Coaches and Mountain Stage Lines), and to Cockle Creek and Scotts Peak Dam (Tag Along Tours) from Hobart. Other services were developed, notably through to the West Coast from Hobart and also from Launceston and Devonport.

This formed the beginnings of award winning “Tasmanian Wilderness Travel”, which marketed travel to Tasmanian wilderness areas nationally and internationally.

The Devonport route service operations were sold to concentrate on tourist based services.

November 1997 saw rapid expansion of the business. First was the purchase of TRC Travel from Tasmanian Redline. Then followed the purchase of most of the “TigerLine” operation from the Hazell Family, including the East and West Coast regional services. In June 1999 the Hazell Family sold off the remainder of their coach operations, and the Port Arthur and Huon Valley services were purchased.

The network of services so established provides coach access to all the major Tasmanian tourist icons, including: -

Port Arthur and Tasman Peninsula	Queenstown/Strahan
Freycinet National Park	Huon Valley
Cradle Mountain and Dove Lake	Swansea/Bicheno/St. Helens
Lake St. Clair	
Mt. Field National Park (in season)	
Scotts Peak and Cockle Creek (in season)	

and seasonally, to unique Tasmanian wilderness area walking track experiences including: -

- The Overland Track, between Dove Lake and Lake St. Clair
- The South West Track between Scotts Peak and Cockle Creek
- Other tracks to Mt. Anne, Frenchman's Cap etc. etc.

These regional coach services are marketed under the "TassieLink" name.

The vision for this network is to provide an attractive and efficient coach service to the regional and wilderness areas of Tasmania. We aim to develop patronage and so support the maintenance of regular off season services by marketing the services and associated products such as the "TassieLink Explorer Pass", special bushwalker fares, and excursions (tours); and travel (on TassieLink services), accommodation and attractions packages into various levels of the tourist market. We have our own full time mainland representative, and market internationally through both travel conferences and personal visits.

The emphasis of the business is on quality service, products and operation, and this has been recognised with the achievement of several Tasmanian Tourism Awards over the past five years.

We endeavour to work closely with other Tasmanian bus and coach operators in areas of mutual interest. In this regard we include some Metro products in our packaging and sales efforts, and enjoy a first class relationship with Metro staff at all levels.

General Principles

In terms of general principles, it is submitted that: -

- All bus services in Tasmania should be expected to operate in a "...sound commercial manner..." including a reasonable return on capital employed
- As regards Community Service Obligations (CSOs) met by the provision of bus services in Tasmania, these should be met by either:-
 - School contracts for school specific services
 - For Regular Public Transport (RPT) "core" services, contracts specifying a full range of quality and quantity minimum service levels:-
 - With a base CSO payment, plus incentives related to patronage, including:-

- Topups related to concession passengers carried
 - An incentive payment related to growth in other patronage classes
 - A dividend to Government in the form of either increased services or reduction in the CSO payment, based on overall financial performance, assessed each three years of the contract
- Fare regimes should be the same for all operators, consistent within operating areas. For example urban fare scales, including concessions, should be the same for Metro as for other operators operating similar services in similar areas.
 - Ticketing systems should allow marketing synergies where possible. This should be considered when Metro contracts for its proposed new ticket system. It should be consistent with existing smart card systems introduced by MersyLink and TassieLink operations
 - Cost indexation should be the same for all operators. Apart from providing a level playing field across the industry, such a situation will reduce work in DIER in preparing and monitoring two separate indexes.

2. CSA Agreement and Incentives

Metro enjoys a formal Community Service Activity Agreement with Government, which comprises payments for Community Service Obligations fulfilled by Metro, and an incentive related to fare revenue. The greater the number of fare paying passengers carried, the greater the fare revenue retained by Metro. In my view this is a correct construction of such an agreement. Incentives should be retained to encourage patronage generation through: -

- Quality service standards
- Appropriate, responsive and flexible route structures
- Appropriate and cost effective fleet mix
- Incentive and flexible fares
- Innovative marketing of services

However, it is important that the incentive regime is the same for all RPT operations, and therefore the Metro system should be made parallel to that for private operators, or the contracts for the provision of “core” services by private operators recognise the CSA/CSO role of such services and are constructed, financially, on such a basis.

There is scope for the incentive system applicable to Metro to be broadened, as noted in “General Principles” above.

3. Return on Capital/Profit versus “break even” funding

In order to place a normal commercial management regime on Metro, it is important that normal commercial constraints are placed on that organisation. Thus there should be a change to expectation of a normal commercial return on assets employed, returned to the shareholder – Government.

The current approach to break-even funding depends on the current strong management attitudes within Metro for a cost-effective result. A normal commercial management regime including an expectation of a return (albeit small) on capital employed would strengthen the management environment in which Metro operates.

4. Integration of Public Transport Systems

We have found Metro willing and eager to work with us on integrating services and other aspects of operation. However, this is made somewhat difficult because of differing ticketing systems, and in some areas different fare scales. This will potentially be exacerbated when the fares operated in the Kingston area by Hobart Coaches are changed to the Metro based system. This has the potential to disadvantage our revenue position in this area.

This illustrates the need to develop consistent fare scales for all operations in similar areas.

5. Student Concession Fares

It is confusing to the travelling public at large, and potentially unfair to Metro that the student fare regime charge by Metro is significantly different from that charged by private operators. The student fare regime should be consistent across all operators

6. Metro Index

As noted in General Principles above, it appears an unnecessary duplication to have two separate indexes applicable to the present two classes of operator in Tasmania. There does not appear to be (and there should not be) sufficient differentiation between styles of operation to justify maintaining two separate indexes. A valid and responsive cost index/indices should be developed for the indexation of CSA/CSO payments, and fare revenue sources for all operators.

7. Other Matters – An Overall Public Transport Policy for Tasmania

While there have been attempts to develop a policy for the planning and delivery of Public Transport in Tasmania (Getting There Together – Tasmania’s Vision for Transport: DIER October 2000; DIER Presentation to Bus Industry Confederation April 2001); neither of these statements have been reflected in an overall published Government policy.

Such a policy would provide guidance for Department and operators in the development of services, and would be a significant advantage in addressing the passenger transport deficiencies evident in the Commonwealth Government's White Paper – "AusLink".

Such a policy should include reference to: -

- Quantity and quality related service standards related to population numbers, social inclusion and social needs
- The Government's social and economic objectives for urban and regional populations
- Desired environmental outcomes
- Funding mechanisms and expectations
- Issues to be address by contract with operators
- Review provisions